

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

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June 16, 2009

Senator Leibham:

This preliminary draft creates a jobs creation tax credit program under ch. 560, to be administered by the Department of Commerce. The initial drafting request was based on a Kentucky Rural Economic Development program, a summary of which was forwarded to me in late April.

However, in an e-mail from Greg Gasper of your office dated May 13, 2009, Mr. Gasper indicates that, instead of basing the Wisconsin program on the Kentucky program, the program in Wisconsin would, "simply put, ... allow a company that creates 15 jobs through an expansion or relocation in Wisconsin to offset from their corporate income tax liability the new individual income tax revenues gained through the creation of those jobs."

I have a number of questions regarding this proposed program:

1. Do you wish to require the jobs to pay any minimum wage?
2. Must the jobs be full time, or are part-time jobs okay?
3. May jobs added in a retail or other chain store (such as Wal-Mart or McDonald's) qualify?
4. Do you wish to establish a limit on the number of years in which an employer may claim a tax benefit under the program?
5. Do you wish to establish a dollar limit on the amount of benefits any one employer may claim in any one year?
6. Do you wish to establish a dollar limit on the amount of benefits any one employer may claim over the duration of the employer's participation in the program?
7. Do you wish to establish a dollar limit on the total tax benefits the department may award under the program in any year, or over the duration of the program?

In a follow-up e-mail dated May 27, 2009, Greg Gasper noted several concerns raised about the proposed program, and requested that "it will be important to include exactly what the money received by the business may be used for. If I'm not mistaken, Kentucky's KREDA program allows expenditures on capital investment for land, buildings, fixtures and equipment."

On my review of the summary of the Kentucky legislation, there is no restriction on how an employer may use its tax benefits. Neither does the Kentucky legislation require an employer to use the tax credits on capital expenditures. The opposite is true -- an employer who makes certain capital expenditures may claim additional tax credits.

That said, do you wish to impose any restrictions on how a participating employer uses the tax benefits it receives under the program?

Please contact me with any questions or if you want to make any changes. I look forward to working with you on the next draft.

Tracy K. Kuczenski
Legislative Attorney
Phone: (608) 266-9867
E-mail: tracy.kuczenski@legis.wisconsin.gov